

ASSEMBLY BILL

No. 99

Introduced by Assembly Member Perea

January 8, 2015

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 99, as introduced, Perea. Personal income taxes: income exclusion: mortgage debt forgiveness.

The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2014, as provided.

This bill would extend the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2015, thereby no longer conforming to federal income tax law. The bill would also discharge indebtedness for related penalties and interest and would make legislative findings and declarations regarding the public purpose served by the bill.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 17144.5 of the Revenue and Taxation Code is amended to read:

17144.5. (a) Section 108(a)(1)(E) of the Internal Revenue Code, is modified to provide as follows:

(1) *By providing* that the amount excluded from gross income shall not exceed \$500,000 (\$250,000 in the case of a married individual filing a separate return).

(2) *By substituting “January 1, 2014” for “January 1, 2015.”*

(b) Section 108(h)(2) of the Internal Revenue Code, is modified by substituting the phrase “(within the meaning of section 163(h)(3)(B), applied by substituting ‘\$800,000 (\$400,000’ for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” for the phrase “(within the meaning of section 163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” contained therein.

(c) This section shall apply to discharges of indebtedness occurring on or after January 1, 2007, and, notwithstanding any other law to the contrary, no penalties or interest shall be due with respect to the discharge of qualified principal residence indebtedness during the 2007 or 2009 taxable year regardless of whether or not the taxpayer reports the discharge on his or her return for the 2007 or 2009 taxable year.

(d) The amendments made by Section 202 of the American Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108 of the Internal Revenue Code shall apply.

(e) The changes made to this section by ~~the act adding this subdivision~~ *Chapter 152 of the Statutes of 2014* shall apply to discharges of indebtedness that occur on or after January 1, 2013, and before January 1, 2014, and, notwithstanding any other law, no penalties or interest shall be due with respect to the discharge of qualified principal residence indebtedness during the 2013 taxable year, regardless of whether the taxpayer reports the discharge on his or her income tax return for the 2013 taxable year.

(f) *The changes made to this section by the act adding this subdivision shall apply to discharges of indebtedness that occur on or after January 1, 2014, and before January 1, 2015, and, notwithstanding any other law, no penalties or interest shall be due with respect to the discharge of qualified principal residence*

1 *indebtedness during the 2014 taxable year, regardless of whether*
2 *the taxpayer reports the discharge on his or her income tax return*
3 *for the 2014 taxable year.*

4 SEC. 2. The amendments made by this act that extend the
5 operation of the amendments made by Section 202 of the American
6 Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108
7 of the Internal Revenue Code, apply to qualified principal residence
8 indebtedness that is discharged on and after January 1, 2014, and
9 before January 1, 2015. The Legislature finds and declares that
10 the amendments made by this act and the retroactive application
11 contained in the preceding sentence are necessary for the public
12 purpose of extending for an additional year, the amendments to
13 the Internal Revenue Code as made by the American Taxpayer
14 Relief Act of 2012 (Public Law 112-240), thereby preventing
15 undue hardship to taxpayers whose qualified principal residence
16 indebtedness was discharged on and after January 1, 2014, and
17 before January 1, 2015, and do not constitute a gift of public funds
18 within the meaning of Section 6 of Article XVI of the California
19 Constitution.

20 SEC. 3. This act is an urgency statute necessary for the
21 immediate preservation of the public peace, health, or safety within
22 the meaning of Article IV of the Constitution and shall go into
23 immediate effect. The facts constituting the necessity are:

24 In order to provide tax relief to distressed homeowners at the
25 earliest possible time, it is necessary that this act take effect
26 immediately.